

**MORE THAN MULTILATERALISM:
ECONOMIC DIMENSIONS OF LIBERAL FOREIGN POLICY**

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i. Sometimes historians have the thankless task of complicating simple stories. I have been asked to discuss what lessons for the possible rehabilitation of liberal foreign policy might be derived from the economic ideas and agencies of the wartime Roosevelt and postwar Truman administrations. Looking at the results to date in Iraq, where the White House insisted on imposing its preferred course of action (although often with an attempted façade of multilateralism), or considering the administration's reluctance to accept multilateral environmental or judicial commitments, the search for alternatives may beckon attractively. American economic and military initiatives of the 1940s, glowing in hindsight with an aura of generosity and success, can easily suggest that America's multilateral commitments provided far greater success. Many contemporary analysts, from political scientists such as Princeton's John Ikenberry to the former German foreign minister, Joschka Fischer have stressed that postwar U.S. influence emerged from our acceptance of multilateral institution building. By using unprecedented ascendancy to structure international organizations in which many partners had a voice, America supposedly achieved more usable influence than by merely acting alone.

I will turn to the institution building of the post-Second World War era in due course. But fair warning: I don't think it's a simple story of yoking our policies to international or multilateral institutions. It's not a story of forswearing national interest for some transcendent global welfare. Still, it is a story of using American power and wealth and good fortune with patience and restraint and honesty. It is a story, not of tying ourselves to a pre-existing scaffolding of international institutions, but of successfully constructing new organizations that served a broad concept of American interests. Others needed us because we were rich and powerful and they felt threatened by the Soviet Union and its Communist Party enthusiasts. We needed them because in that era, at least, American opinion and leaders believed that power was not self-justifying. Collective adherence reinforced democratic values and legitimated the exercise of leadership. The result was not altruism, but an expansive sense of public interest.

This suggests that a viable alternative in foreign policy involves more than just multilateral commitments, each of which, after all, needs to be judged on its merits and not just as part of a universal preference to be cooperative. On one hand, liberal policies

rest on the processes they follow as well as on the ends they achieve. On the other hand, they often imply substantive outcomes, and more on those below. I was tempted to entitle this paper, “A Decent Respect for the Opinions of Mankind” -- the phrase taken, as you will all recall, from the opening of the Declaration of Independence. I cite it because I fear current American policies have lost this concern expressed at the very outset of our life as a nation – largely because some current policymakers seem to have believed it a goal that reflects weakness and indecisiveness. I believe, however, that it will serve us well as a minimal or initial guide to policy – a decent respect, not a slavish one. After all the opinions of mankind can easily become what Galbraith called “the conventional wisdom.” What the founders meant, I believe, was that a strong and even unilateral policy (which they did not forswear) should ultimately be capable of persuading opinion leaders in all nations. Today we hardly can persuade those at home. Nonetheless, the willingness to engage in public exposition and persuasion – free, of course, of misleading intelligence assessments -- seems to me a criterion that should also secure the goals of international cooperation, of leadership without bullying.

Perhaps one might think of the two notions – persuasion and multilateralism – as complementary. The first focuses on justifying national policies to a public international community, the second focuses on the process of achieving specific shared goals. But let’s be frank: multilateralism alone implies that sometimes we may have to renounce specific American goals for a broader consensus. Liberal commentators and opinion makers usually take for granted that such self-restraint really makes the country more powerful for working alongside others. If, however, we rest the case for multilateralism on this outcome, in what way does multilateralism become just another method to preserve hegemony? I believe that our usual arguments for multilateralism thus retain a certain ambiguity. As Thomas Paine might have phrased it, most of us hope to be summer liberals and sunshine multilateralists; we don’t want to have to yield much.. It behooves us to ask how much cooperation we accept if we don’t like the results that can be achieved.

In any case, persuasion and multilateralism both represent procedural approaches to foreign policy. They focus on the methods of policy making, and their assumption is that rational discussion and institutional cooperation are required for satisfactory outcomes. In this sense they are akin to Habermasian or Rawlsian notions of democracy, which state that process will assure rational results and an enhancement of individual and even community interest. For the last twenty or thirty years most liberals have accepted one or the other of these programs. But in view of global economic developments, the question arises whether either is sufficient. Certainly the economic policies of the Roosevelt and Truman administrations, I believed, looked even beyond these laudable goals and suggested that some substantive economic outcomes were also at stake. What can they teach us?

ii. Woodrow Wilson and Franklin Roosevelt remain the Presidents of the last century who offered the most convincing and inspiring liberal agendas. But what they stood for has often been over-simplified or misunderstood. Central to both of their political agendas were two tenets. The first tenet, articulated by Wilson in his public statements of

1917 and 1918, was the belief that a peaceful stance in world politics depended on the nature of regimes. A world of empires or authoritarian regimes led to international aggression and conflict. Modern political theorists have often restated this belief as so-called democratic peace theory, tracing it back to Immanuel Kant, and arguing that democratic regimes never go to war with each other. I have problems with this proposition and find it offers little practical guidance, for it does not stipulate that democratic and authoritarian regimes cannot live at peace with each other. The United States and Russia enjoyed good relations from the 1780s through the mid-1940s even though the latter never enjoyed a democratic regime during that long era. Conversely Wilson's second tenet concerned the international system as such, and not its component nations. Balance of power was unlikely to preserve peace, indeed had led to war (a proposition which the historian Paul Schroeder has also maintained). Instead one required a structure of collective security that would mobilize peace-preferring nations to meet aggressive intentions with sanctions or force. Such a response had to be institutionally prepared in advance; and I think Wilson was correct in his foreboding that the failure of the United States to participate was a great historical tragedy.

FDR obviously wanted the UN to pick up where the League had failed. The key problem – and it must always remain a dilemma if there is no world government – was how to reconcile equal participation with the fact that some countries were significantly greater in resources than others, that lions would not want to be constrained by mice. Indeed, as “realist” theorists insist, there is no solution to this basic inequality of the international system so long as nations remain sovereign. Few countries if any, and certainly not the U.S., have been prepared to surrender sovereignty. Roosevelt's solution was the somewhat inconsistent idea of the four policemen as well as the two tier architecture of the UN, which provided not only for a bicameral international association, but a veto for the most powerful.. Some nations were far more powerful than others; but FDR envisaged that they would use their power in a fiduciary capacity for the sake of collective goals and keeping the peace.¹ Of course, he expected a resurgent Germany or Japan to present the future threat, and hoped (at least until the fall of 1944) that the Soviet Union would remain an acceptable partner.

This brings us to a third tenet, inherent in Roosevelt's policies if not in Wilson's, which was the particular contribution of New Deal foreign policy – namely that there should be an economic component after the economic catastrophe of the 1930s, what Roosevelt was getting at in the notion of “freedom from want” and a vision that Senator Taft termed a New Deal for Hottentots. Of course this was a widely shared aspiration: articulated in the Beveridge Report, the programs of the Resistance groups in Europe, and ultimately throughout the sixty years since the end of the war by social democrats, NGOs,

¹ Of course the critics of these presidents can point out that for the Soviet Union to take part violated all the beliefs of both presidents. But in fact Moscow for a while remained a great proponent of collective security, and it took Soviet resistance in World War II to contain Nazi plans, even if for two years they abetted their realization. Liberals did come to recognize after 1945 that Moscow's ambitions and behavior were not compatible with the political aspirations they harbored.

the Brandt commission and the UNCTAD, various Popes and religious groups, etc. Still, it is important to recognize that while Roosevelt had a clear humanitarian vision, he also recognized the U.S. must sometimes act alone. He had famously or notoriously refused cooperation with the international economic conference of 1934, winning Keynes's applause for his brusque rejection of concerted deflation. But a decade later, he evidently believed that the cause of peace was integrally connected to the cause of international economic development

Now, these economic goals had several components, just as the New Deal had several inside America. Immediate relief of those in distress, addressed in 1933 by the federal emergency relief agency, was embodied in 1944 by authorizations for the UN Relief and Recovery Administration (UNRRA) and the Government Aid and Relief in Occupied Areas (GARIOA). UNRRA was not political targeted and it was administered by the United Nations although the funds were largely provided by the United States. Until 1947 it distributed funds to countries that would fall behind the so-called Iron Curtain.

Immediate relief was only one component of the New Deal. The second immediate concern was restoring financial liquidity and averting a total collapse of credit and commerce. The New Deal quickly turned to institutional reform of the banking system. Restoring high employment likewise seemed urgent and was the result that might be measured most concretely. But beyond the restoration of high employment (which yielded only partial success until the rearmament programs of 1940) and the level of GNP of 1929, another goal beckoned, what in the postwar period emerged as "development." One third of a nation was ill housed and ill fed, as Roosevelt stated. Much of this poverty was geographically located in the rural South or the dust bowl, and integrated regional approaches, most dramatically the Tennessee Valley Authority, were initiated to overcome their backwardness. Other infrastructural development also followed, such as the great dams in the far West. Of course, there were a host of other reforms in these innovative years: the empowerment of labor unions, the regulation of wages and hours, youth employment and conservation programs, and the long-delayed introduction of a national pension system.

Each of these reforms had an international analogue that the Second World War put on the agenda of the UN coalition. Empowerment of trade unions and the expansion of welfare systems were to be left to individual countries, but most of the coalitions of anti-fascist parties that were in exile or in national resistance groups incorporated such aspirations in their postwar plans. The British most famously set them out in the Beveridge report; the French, Italians, Belgians, Dutch in charters of the resistance or solidarity pacts, negotiated with employers. In the ebullience of victory many of them were able to win commitments for these efforts. But reform of the international financial system was to be tackled by international agreement, and the lead was taken by the Anglo-Americans. Two visions emerged: the American one whose most conspicuous architect was the Undersecretary of the Treasury Harry Dexter White, and a more expansive British one, tailored to the UK's parlous and overstretched reserves position

and largely scripted by John Maynard Keynes. The differences were ironed out at the Bretton Woods Conference in the summer of 1944.

Now, it is customary to present Bretton Woods as a triumph of cooperation and multilateralism. In some respects this is certainly true. The Americans committed themselves to long negotiations, and in effect accepted the need to provide substantial financing of the institutions that emerged – the International Monetary Fund designed to fund short-term deficits and reserve crises on participating powers, and what became the World Bank or the International Bank of Reconstruction and Development designed to provide international funds for longer-term developmental projects. At the same time, however, the Americans used these negotiations and structured the institutions to achieve our own vision. The U.S. after all was to be the dominant partner; it would bring the major reserves. The American economy was unscathed by war and had grown substantially. Other powers had to defer. The result was multilateralism, but one always shaped by U.S. preponderance. The same result emerged in the direct bilateral negotiations for an American loan to the United Kingdom – negotiated in long wearying sessions in Washington during 1945-46 and that exhausted Keynes. Even in the earlier renewal of Lend Lease at the Quebec Conference of October 1944, Churchill had asked Roosevelt whether he must be asked to jump through hoops as if he were the President's dog, Fala. Not that the British were selfless: they were seeking to preserve the financial basis for preserving their Asian imperial position, and there was no reason Americans should have financed this aspiration. Still, the point is that the American administration engaged in what might be termed hegemonic multilateralism; and this approach, I believe, marked much of the institution building. This does not mean that there was not serious discussion and negotiation, concession, and far-sighted institutional participation. Members of these administrations were committed to cooperative action and were not endeavoring to assert mastery. But U.S. goals and U.S. economic and financial power went hand in hand.

The same dual thrust marked the most celebrated of the American initiatives after World War II – the European Recovery Program or the Marshall Plan. Secretary Marshall's famous speech of June 4, 1947 declared that America stood ready to help Europeans in the task of postwar recovery if they could coordinate their own efforts. Over the next year the Europeans constructed a Committee for European Economic Cooperation to serve as collective interlocutor with Washington, the Communist powers opted out of the proposed program, and Congress was motivated to design an aid program for four years. At the same time, though, Washington signed bilateral treaties with each ERP recipient and claimed the right to scrutinize their budgets and the domestic projects to which they might devote the moneys they saved on purchases from the United States (so called counterpoint funds). Similar mechanisms of hegemonic coordination would mark the Military Security Program that would succeed the ERP in late 1951. This was coordinated within the new North Atlantic Alliance Structure, which involved every member supposedly submitting its budgets and its respective military contributions to collective examination. Yes, this was multilateralism – but surely not a collaboration among equals. Yes, it was a generous program although UNRRA and GARIOA had provided as much aid. Between two and one percent of American

domestic product would be purchased by the American state for distribution to non-Americans. But one cannot usefully employ concepts such as altruism or selflessness to describe a policy of far-sighted self-interest.

Development as a goal was implicit among Marshall Plan objectives as the European Recovery Program developed. It followed naturally from the notion of Europe or Western Europe as a region whose economy had to advance as a whole. But development as a strategy for modernization and industrialization tended to emerge in the later years of the ERP – what I term “the second Marshall Plan,” from 1950 on that focused more on structural transformation and integration of trade and payments. At first, the Program was articulated as one that would help Europe recover or re-achieve its performance of pre-war years. In this sense it was analogous to the WPA and PWA: a response to an interruption in the normal course of prosperity – in this case one caused by the war and, more strategically, its disappointing after-effects upon cross-border exchange. So it made sense that 1950 Washington would subsidize European international payment systems and the important European Payments Union. This was a logical but far-sighted extension of the original commitment to bilateral aid; it followed though from the early notion of aiding Europe as a region. Still, development as such – the notion of taking areas that were mired in poverty and bringing them up to the norms of the dynamic regions, such as Southern Italy, or rural Greece – emerged more slowly. In his inaugural address of 1949, President Truman would present development of poorer countries as Point Four of his foreign-policy objectives. Again: a far-sighted program, and one natural enough given the way in which the Cold War had become a global conflict.

These policies were unprecedentedly generous; but we must also recognize that they were relatively easy to carry out in economic terms. In 1944 the US had been devoting perhaps two fifths or more of its GNP to military related activities and expenses. This would fall to below ten percent within a couple of years, although rising back to ten percent and more during the Korean War and the early NATO period. In other words there was a huge peace dividend and devoting say two percent of GNP to recovery aid was not difficult.

iii. These policies were also multilateral -- within limits. Washington never lost control of desired outcomes; it pressed its allies hard. On the other hand, it did extend aid in ways that made sense in terms a broader community – such as the contribution to intra-European monetary convertibility. ECA officials often gave in, for better or worse, to stubbornly held European priorities. American policy makers, for instance, understood the French fiscal system was woefully inefficient and wanted to encourage reform of its taxes. To this end the ECA mission in Paris insisted American Aid could not be used to plug budget deficits. But in fact, the ECA did allow such an expedient because France was also crucial to providing military forces on the ground in Europe, to fighting communism in Asia (as we saw it after 1949), and to helping reintegrate West Germany. So, too, we helped the British indirectly to finance their imperial position “East of Suez.” In short we relented from the tough-love pose that we often struck up at the beginning of a negotiating process.

So what are the lessons we learn from these programs? They are sometimes trumpeted as the triumph of multilateralism. They were certainly multilateral in form – endless parleys, negotiations, mutual visits, efforts at stroking the egos of local leaders. They were multilateral in some of their structures. But they never really required that Washington drop its own preferred policy outcomes. Multilateralism entailed no sacrifices in the late 1940s. It was easy to have a good liberal record in those years, at least in Europe. When it came to Asia, we did not build multilateral institutions but worked with each nation on its own and under the umbrella of the UN, extending a security guarantee to Japan, fighting a war for the independence of South Korea, and caught in three decades of contradictory policies toward Vietnam,

Just as important the successes of the postwar era depended on the relative but still far-sighted willingness to spend on others. When from time to time, liberals call for a new Marshall Plan – whether for the Middle East or for Africa – they do not evoke multilateralism as such, but rather the idea of an integrated regional approach to economic development. With some cautions, the Marshall Plan can serve as a model in areas where there are potential gains to be made from higher degrees of regional interchange. But it needs to be recalled that in fact the European Recovery Program did not stress development at its outset. It aimed at removing bottlenecks to recovery for a region that was already highly developed, but had squandered its resources in a destructive war and was reduced to barter for regional trade. Moreover, the ERP claimed a proportional share of GDP that would amount to about \$150 billion today, far higher than current American aid efforts of perhaps \$16 billion or about 0.1 percent of GDP. (At the General Assembly of 1970 donor governments committed themselves to spending 0.7 percent of GDP on Official Development Assistance, but have generally come in at one third that figure.) What is lacking is not the institutional framework for multilateral and cooperative action, but the resources needed to make more of a difference.

Still, liberals should recognize that no plausible amount of aid will assure much progress toward global equality. Strategic interventions with adequate resources make a difference in health, life expectancy, and infrastructure. But the vast, persistent problems of global poverty – with over a billion people living on less than two dollars per day – will not easily be transformed by higher foreign assistance, especially when most credits extended merely wipe out interest obligations and the magnitude of swings in commodity prices can quickly overwhelm foreign assistance. And even if poverty is mitigated, equality may not advance. The countries forging ahead in the world economy are not doing so because of OECD or UN beneficence. We confront the spectacle of massive economic progress for much of Asia and Brazil and deepening inequality for the poorest of the globe, above all in Africa and rural areas throughout the globe.

The issue here is not multilateralism. It is that in the 1980s the developed world and much of the developing world accepted the lessons of global market liberalism. The state socialist barriers to the triumph of these recipes collapsed, which is not to be regretted as such, but which helped undermine a balance of political economy approaches. India dropped its long-term reticence to market modernization; the Chinese

decided they could preserve Communist Party rule even as they allowed the permeation of market relationships. In the major Anglo-Saxon countries voters endorsed governments committed to lower taxes, greater rewards for entrepreneurship, and an end to the sentimental nurturing of collectivist industrial relations that had been triumphant since the 1930s and 1940s. All these political changes coincided with (perhaps in some profound way, followed from) the technological innovations associated with computers and electronics. The same developments that unleashed growth have probably aggravated inequality. None of this could really be foreseen during the Roosevelt and Truman administrations, when the indices of economic progress largely consisted of steel tonnage, the size of wheat harvests, and hydroelectric power. These processes still required brawn as well as brains in the advanced industrial societies; but that is less the case today.

iv. If the power of global capitalism, in all its varieties, is so massive, how can the institutions of the 1940s serve as a model? They represented a wager on invoking a sense of global community, even if ultimately for the sake of American security. The aspirations entailed more than just procedural liberalism, whether incorporated in multilateralism or procedural democracy and discursive rationality. Of course, the idea of “a decent respect for the opinions of mankind” further implies that there really does exist a certain transnational public opinion as expressed usually in media columns and articulated by officials and defended by NGOs. Is there in fact an international public opinion, or as the fans of Jürgen Habermas might call it, an international public sphere, or as other theorists such as John Keane claim, an international civil society? What we might like to exist and what does exist are not necessarily identical. Still, in this case I do think that there is an international public opinion, just as in the mid-nineteenth century liberal states, intellectuals believed there was a national public opinion: certain expectations of civilized behavior that should govern local, national, and international politics. The idea of a shared human commitment to law and peace has marked our political life at least since the stoics; it has always been the other side of the medal to international “realism.” To a great degree, though, World War I shattered that confidence, and only in the last two decades or so has it been put back together. But its restoration may not be a sufficient goal or even achievement.

But does this procedural liberalism entail economic goals? We enter subjective political commitments here, but since it is obvious that we were invited because of political affinities, I will allow myself some personal reflections. This author believes that procedural liberalism and economic equity cannot be separated in the long run. Without some striving for greater equality – and equality of outcomes as well as of opportunity, and equality across borders as well as within them – democracy becomes a withered and formalist dream. My own view, therefore, is that the American state should play a role that makes public goods, such as education and health, more accessible and promotes more redistribution of private goods than it does currently. And it should attempt this across borders as well as at home. Nonetheless, I also recognize that conservatives claim other important and often socially necessary values: the belief that some qualities of public life and the arts are more worthy than others, that society should recognize talent and attainment, that the personal and family ties in a community can be

legitimately nurtured and that traditions, including religious orientations, help to orient citizens. Liberals can accept these beliefs, but their natural community of adherents is usually identified as conservative. Moreover, I recognize that the conservative critique of liberal foreign policy is powerful and often contains much justice. Robert Taft's harsh words about New Deal internationalism did not lack a brutal cogency.

Conservatives also point out that liberal policies of greater inclusiveness often fail and they cogently criticize utopian projects at home and abroad. Such skeptical stances have characterized the attitudes of some of America's leading statesmen. Henry Kissinger's writings on diplomacy, and George Kennan's essays illustrate these tenets, which stress a realistic adaptation to the realities of power as much as the search for an international moral order. Wilson and Roosevelt have often been the lightning rods for these critiques. As a historian I often ask myself whether liberal statesmen have produced an architecture for regional or world politics that has been as successful as conservatives: the devil – whether Metternich, or Bismarck, or Salisbury, or Kissinger – must be given his due. Conservative foreign policy agendas too often are built on hierarchy and domination, but liberal foreign policy agendas too often disintegrate into lawlessness and violence.

Let me emphasize, however, that a conservative foreign policy is not automatically to be identified with a Republican Party foreign policy: these have often involved radical and Manichean views of the world that lead to continual strife (whether on the part of John Foster Dulles or George W. Bush or the terrible simplicities of neo-conservative nostrums, which are in fact radical and not conservative). So-called American conservatives often reject the wisdom of the middle way that has been stressed by conservatives from Aristotle to Oakshot have stressed the role of prudence in politics. One must think about the possible negative consequences of pursuing even the worthiest public agenda. Liberals cannot responsibly argue: *fiat iustitia et pereat mundus*. On the other hand, this cautionary formula must not serve as an argument against every reform effort. Not every enhancement of justice destroys the world. Even prudence as a goal requires prudence about prudence, and sometimes we must make the wager of audacious politics: otherwise we never achieve what Americans achieved after 1776 or East Europeans in 1989.

Finally, I think, that certain values can be ascribed to both liberal and conservative creeds. Solidarity, for instance, is a value that liberals and conservatives both prize, although liberals usually emphasize horizontal solidarities based on underlying human equality whereas conservatives treasure the vertical solidarities that unite the poor and the wealthy in a peaceful community. Now it is important to stress that these values do not align consistently with U.S. political administrations. Democratic administrations have often followed conservative foreign policies (I believe Kennan's containment was one such experience) whereas Republican administrations have departed from them. So I am not talking about party politics – but more basic trends and values.

Consequently I would like my contribution to incorporate the “realism” of the conservative foreign policy tradition, but still endeavors to follow, on an international scale, the values that liberalism maintains domestically: to spread the rule of law (which seems a more realistic goal than just to insist on formal elections), the effort to strive to lift global residents as well as American citizens out of grinding poverty, to help dissolve some of the restrictions on their liberty that afflict them – whether by authoritarian regimes or --let’s be frank-- religious regimes that impose the subordination of women. Still, the conservative admonition of prudence in all these pursuits seems crucial. Yes – multilateralism, but not at all costs. There has always been ambiguity about the scope for sovereign action on the part of the U.S. Wilson stayed aloof from his allies; FDR recognized *Realpolitik* with the four policemen.

And at this point one returns to the procedural methods liberals prefer. A sober commitment to multilateral policies does allow us to observe what the Declaration of Independence stated in its preamble: American action “with a decent respect for the opinions of mankind.” This does imply that what today we would call global public opinion (admittedly a rather elitist community) provides a sort of check on projects that might tend toward excessive violence. British liberalism and later American liberalism from Bagehot to Lippman cited “public opinion” -- not as an institution, but as a presence. Why should it matter? Well here conservatives should come to our rescue; it matters because collective life matters as much as individual action and fulfillment. Adulthood in politics depends upon accepting interaction with others. Not at all costs, and not all the time. But if only the weak submit, then we have the jungle, and while we may as a lion believe we rule the jungle, sooner or later we shall face a lonely and devalued existence.